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**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

**AUDITED FINANCIAL STATEMENTS,
SUPPLEMENTARY DATA AND AUDITORS'
REPORTS ON INTERNAL CONTROLS
AND COMPLIANCE**

MAY 31, 2001 AND 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/23/02

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

**AUDITED FINANCIAL STATEMENTS,
SUPPLEMENTARY DATA AND AUDITORS'
REPORTS ON INTERNAL CONTROLS
AND COMPLIANCE**

MAY 31, 2001 AND 2000

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Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

Independent Auditors' Report

We have audited the accompanying Balance Sheets - Unrestricted Funds of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) as of May 31, 2001 and 2000, and the related Statements of Operations - Unrestricted Funds, Changes in Fund Balance - Unrestricted and Cash Flows - Unrestricted Funds for the years then ended. These financial statements are the responsibility of the Hospital's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital, as of May 31, 2001 and 2000, and the results of its operations and its cash flows of unrestricted funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Hospital's internal control structure and a report on its compliance with laws and regulations dated September 18, 2001.

Smith, Turner & Reeves

September 18, 2001

FINANCIAL STATEMENTS

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

BALANCE SHEETS - UNRESTRICTED FUNDS

MAY 31, 2001 AND 2000

| ASSETS | | |
|--|-------------------------|-------------------------|
| | <u>2001</u> | <u>2000</u> |
| CURRENT ASSETS: | | |
| Cash and cash equivalents - Note 2 | \$ 59,929 | \$ 112,656 |
| Receivables: | | |
| Patient accounts, net of estimated uncollectibles and contractual adjustments of \$268,000 and \$284,000 in 2001 and 2000, respectively - Note 3 | 698,530 | 817,378 |
| Due from third-party payors - Note 4 | <u>759,171</u> | <u>361,034</u> |
| Net receivables | 1,457,701 | 1,178,412 |
| Inventories | 92,372 | 129,926 |
| Prepaid expenses | <u>28,368</u> | <u>30,825</u> |
| TOTAL CURRENT ASSETS | 1,638,370 | 1,451,819 |
| PROPERTY, BUILDINGS AND EQUIPMENT, NET - Note 5 | 797,018 | 863,388 |
| ASSETS LIMITED AS TO USE - Notes 2 and 6 | <u>185,272</u> | <u>557,350</u> |
| TOTAL ASSETS | <u>\$ 2,620,660</u> | <u>\$ 2,872,557</u> |

See accompanying Notes to Financial Statements.

LIABILITIES AND FUND BALANCE

| | <u>2001</u> | <u>2000</u> |
|--|-------------------------|-------------------------|
| CURRENT LIABILITIES: | | |
| Current portion of long-term liabilities | \$ 6,733 | \$ 36,000 |
| Accounts payable | 194,440 | 187,963 |
| Accrued expenses - Note 4 | <u>677,701</u> | <u>672,935</u> |
| TOTAL CURRENT LIABILITIES | 878,874 | 896,898 |
| LONG-TERM LIABILITIES, EXCLUDING CURRENT PORTION - Note 7 | 9,930 | 14,179 |
| COMMITMENTS - Note 8 | - | - |
| FUND BALANCE - UNRESTRICTED | <u>1,731,856</u> | <u>1,961,480</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 2,620,660</u> | <u>\$ 2,872,557</u> |

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

STATEMENTS OF OPERATIONS - UNRESTRICTED FUNDS

YEARS ENDED MAY 31, 2001 AND 2000

| | <u>2001</u> | <u>2000</u> |
|---|---------------------|---------------------|
| NET PATIENT SERVICE REVENUE - Note 3 | \$ 4,536,522 | \$ 4,695,448 |
| OTHER OPERATING REVENUE - Note 9 | <u>233,232</u> | <u>252,784</u> |
| TOTAL OPERATING REVENUE | 4,769,754 | 4,948,232 |
| OPERATING EXPENSES: | | |
| Salaries and wages - Note 10 | 1,929,860 | 2,233,941 |
| Supplies and other | 1,756,658 | 1,774,479 |
| Employee benefits - Note 10 | 303,024 | 386,005 |
| Depreciation | 146,094 | 143,881 |
| Provision for bad debts, net | 896,069 | 745,643 |
| Interest | <u>2,351</u> | <u>3,449</u> |
| TOTAL OPERATING EXPENSES | <u>5,034,056</u> | <u>5,287,398</u> |
| INCOME (LOSS) FROM OPERATIONS | (264,302) | (339,166) |
| NONOPERATING INCOME (EXPENSE): | | |
| Interest income | 26,994 | 39,573 |
| Rental income | 9,200 | 12,600 |
| Loss on sale of assets | <u>(1,516)</u> | <u>(15,081)</u> |
| | <u>34,678</u> | <u>37,092</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENSES | <u>\$ (229,624)</u> | <u>\$ (302,074)</u> |

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**
STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED
YEARS ENDED MAY 31, 2001 AND 2000

| | <u>2001</u> | <u>2000</u> |
|---|---------------------|---------------------|
| FUND BALANCE, BEGINNING OF YEAR | \$ 1,961,480 | \$ 2,263,554 |
| EXCESS OF REVENUE OVER (UNDER) EXPENSES | <u>(229,624)</u> | <u>(302,074)</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 1,731,856</u> | <u>\$ 1,961,480</u> |

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

STATEMENTS OF CASH FLOWS - UNRESTRICTED FUNDS

YEARS ENDED MAY 31, 2001 AND 2000

Increase (Decrease) in Cash and Cash Equivalents

| | <u>2001</u> | <u>2000</u> |
|---|-------------------------|--------------------------|
| CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES: | | |
| Excess of revenue over (under) expenses | \$ (229,624) | \$ (302,074) |
| Adjustments to reconcile expenses in excess of revenue and gains to net cash provided by operating activities and gains: | | |
| Depreciation | 146,094 | 143,881 |
| Loss on sale of assets | 1,516 | 15,081 |
| Provisions for losses on accounts receivable | (16,000) | (296,000) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in receivables, net | (263,289) | 195,893 |
| (Increase) decrease in inventories | 37,554 | (18,214) |
| (Increase) decrease in prepaid expenses | 2,457 | 2,484 |
| Increase (decrease) in accounts payable and accrued expenses | <u>11,243</u> | <u>130,191</u> |
| NET CASH FROM (USED FOR) OPERATING ACTIVITIES | (310,049) | (128,758) |
| CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchases of property and equipment | (81,240) | (69,539) |
| Principal payments on long-term liabilities | <u>(33,516)</u> | <u>(41,136)</u> |
| NET CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | (114,756) | (110,675) |
| CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES: | | |
| Decrease in assets limited as to use | <u>372,078</u> | <u>322,967</u> |
| NET CASH FROM (USED FOR) INVESTING ACTIVITIES | <u>372,078</u> | <u>322,967</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (52,727) | 83,534 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>112,656</u> | <u>29,122</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 59,929</u> | <u>\$ 112,656</u> |

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity

East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) is a governmental acute care hospital located in Lake Providence, Louisiana. It was created by the East Carroll Parish Police Jury. The Policy Jury appoints the Board of Commissioners of the Hospital. The Hospital is considered a political subdivision of the State of Louisiana and a component unit of East Carroll Parish.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property, Buildings and Equipment

Property, buildings and equipment are stated at cost. Donated property, buildings and equipment are recorded at fair market value at the date of donation, which then is treated as cost. The cost of additions and improvements, which substantially extend the useful life of a particular asset, is capitalized. Expenditures for maintenance and repairs are charged to expenses.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation in the accompanying financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Accounting

The Hospital uses the proprietary fund method of accounting, whereby revenue and expenses are recognized on the accrual basis. Substantially all revenue and expenses are subject to accrual.

Federal and State Income Taxes

As a political subdivision of the State of Louisiana, the Hospital is exempt from federal and state income taxes.

Donor Restricted Funds

The Hospital reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted fund balance is reclassified as unrestricted fund balance. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions.

The Hospital reports gifts of property and equipment (or other long-lived assets) as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Hospital reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. There were no donor restricted fund balances at May 31, 2001 or 2000.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Standards

Pursuant to Governmental Accounting Standards the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

It is the Hospital's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance.

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in (1) direct obligations of the United States Government pledged by its full faith and credit, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral and (3) savings accounts at savings and loan associations and banks to the extent fully insured.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid investment instruments purchased with an original maturity of three months or less.

NOTE 2 - CASH AND OTHER DEPOSITS

For financial statement purposes, cash and other deposits consist of demand accounts, insured savings accounts and certificates of deposit.

At May 31, 2001 and 2000, the Hospital had bank balances as follows:

| | <u>2001</u> | <u>2000</u> |
|---|-------------------|-------------------|
| Insured (FDIC) | \$ 198,119 | \$ 200,000 |
| Collateralized by securities held by the pledging financial institution's Trust Department in the Hospital's name | <u>70,660</u> | <u>481,852</u> |
| Total depository balance | <u>\$ 268,779</u> | <u>\$ 681,852</u> |
| Carrying value | <u>\$ 245,201</u> | <u>\$ 670,006</u> |

NOTE 3 - NET PATIENT SERVICE REVENUE

The Hospital grants credit to its patients, most of whom are local residents and are insured under third-party payor agreements. The Hospital has agreements with certain third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent

NOTE 3 - NET PATIENT SERVICE REVENUE (CONTINUED)

the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.
- Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per diem rate. Outpatient services are reimbursed at a percentage of cost, with final settlement determined after the submission of annual cost reports by the Hospital and audits by the Medicaid fiscal intermediary.

A summary of gross and net patient service revenue follows:

| | <u>2001</u> | <u>2000</u> |
|---|---------------------|---------------------|
| Gross patient service revenue | \$ 4,893,513 | \$ 4,718,896 |
| Less provisions for contractual adjustments under third-party reimbursement programs, net of disproportionate share payments of \$840,125 and \$709,373 for 2001 and 2000, respectively | <u>(356,991)</u> | <u>(23,448)</u> |
| Net patient service revenue | <u>\$ 4,536,522</u> | <u>\$ 4,695,448</u> |
| Percentage of gross | <u>93%</u> | <u>99%</u> |

NOTE 3 - NET PATIENT SERVICE REVENUE (CONTINUED)

A summary of gross revenue from patient services rendered under contract with major third-party payors follows:

| | <u>2001</u> | | <u>2000</u> | |
|----------|---------------------|---|---------------------|---|
| | <u>Amount</u> | <u>Percent of Total Patient Revenue</u> | <u>Amount</u> | <u>Percent of Total Patient Revenue</u> |
| Medicare | \$ 1,910,691 | 39.0 | \$ 1,883,681 | 39.9 |
| Medicaid | <u>1,169,116</u> | <u>23.9</u> | <u>904,978</u> | <u>19.2</u> |
| | <u>\$ 3,079,807</u> | <u>62.9</u> | <u>\$ 2,788,659</u> | <u>59.1</u> |

NOTE 4 - DUE FROM (TO) THIRD-PARTY PAYORS

A summary of amounts due from (to) third-party payors follows:

| | <u>2001</u> | <u>2000</u> |
|---|---------------------|---------------------|
| Due from Medicare Program, net | \$ 793,314 | \$ 3,209 |
| Due from (to) Louisiana Medicaid Program, net | <u>(34,143)</u> | <u>357,825</u> |
| | <u>\$ 759,171</u> | <u>\$ 361,034</u> |
| Provision for estimated future third-party retroactive adjustments (included in accrued expenses) | <u>\$ (516,500)</u> | <u>\$ (502,000)</u> |

Revenue from the Medicare and Medicaid programs accounted for a significant portion of the Hospital's net patient revenue for the years ended May 31, 2001 and 2000. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The provision for estimated future retroactive adjustments is based on Management's estimates. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 5 - PROPERTY, BUILDINGS AND EQUIPMENT

A summary of property, buildings and equipment follows:

| | <u>2001</u> | <u>2000</u> |
|-------------------------------|--------------------|--------------------|
| Land | \$ 21,000 | \$ 21,000 |
| Buildings and improvements | 1,116,275 | 1,114,655 |
| Equipment | 500,262 | 477,857 |
| Transportation equipment | 202,287 | 154,060 |
| Clinic | <u>168,339</u> | <u>168,339</u> |
| | 2,008,163 | 1,935,911 |
| Less accumulated depreciation | <u>(1,211,145)</u> | <u>(1,072,523)</u> |
| | <u>\$ 797,018</u> | <u>\$ 863,388</u> |

NOTE 6 - ASSETS LIMITED AS TO USE

Assets limited as to use included investments in insured savings accounts and certificates of deposit which are held by the Hospital or its agent in the Hospital's name. The use of these funds were internally restricted by the Board. During 2001 and 2000, the Board lifted restrictions on the use of a portion of these funds, and they were transferred to operating funds.

NOTE 7 - LONG-TERM LIABILITIES

| | <u>2001</u> | <u>2000</u> |
|---|-------------|-------------|
| Note payable at 4%, payable in monthly installments of \$2,210, including principal and interest, uncollateralized, final payment due June 2001. | \$ 2,203 | \$ 25,954 |
| Lease payable to Abbott Laboratories, Inc., at 9%, payable in monthly installments of \$472, including principal and interest, collateralized by equipment, final payment due April 2004. | 14,460 | 18,594 |

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

| | <u>2001</u> | <u>2000</u> |
|--|-----------------|------------------|
| Lease payable to IBM Credit Corporation, at varying interest rates, payable in monthly installments of \$1,625, including principal and interest, collateralized by equipment, final payment made during 2000. | \$ <u>-</u> | \$ <u>5,631</u> |
| | 16,663 | 50,179 |
| Less current portion | <u>(6,733)</u> | <u>(36,000)</u> |
| | <u>\$ 9,930</u> | <u>\$ 14,179</u> |

The property acquired in connection with the above leases were noncash transactions and therefore excluded from the accompanying statements of cash flows - unrestricted funds.

Annual maturities of long-term liabilities follow:

| | |
|------|------------------|
| 2002 | \$ 6,733 |
| 2003 | 4,964 |
| 2004 | <u>4,966</u> |
| | <u>\$ 16,663</u> |

Interest expense paid (cash basis) was \$2,216 and \$3,449 for 2001 and 2000, respectively.

NOTE 8 - RISK MANAGEMENT

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in recent years.

The Hospital's malpractice insurance coverage is a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. Claims may be asserted against the Hospital arising from services provided to patients through May 31, 2001, in excess of insurance policy limits. No amounts have been accrued for potential claims in excess of insurance coverage.

NOTE 9 - OTHER OPERATING REVENUE

Other operating revenue consists of:

| | <u>2001</u> | <u>2000</u> |
|-----------------------|-------------------|-------------------|
| Parish subsidy | \$ 202,320 | \$ 205,653 |
| Ambulance memberships | 8,710 | 10,900 |
| Sale of meals | 1,932 | 9,501 |
| Other revenue | <u>20,270</u> | <u>26,730</u> |
| | <u>\$ 233,232</u> | <u>\$ 252,784</u> |

The parish subsidy represents property taxes collected for the benefit of the Hospital. Use of the subsidy is unrestricted.

NOTE 10 - SALARIES AND WAGES

The Hospital outsourced all of its employees under an agreement with a third-party administrator through December 31, 2000. This agreement provided that the staff of the Hospital become legal employees of the Administrator who performs the administrative personnel functions. The employees served at the pleasure of the Hospital's Administrator and the Board. For financial statement purposes, the outsourced payroll expenses have been classified as salaries and employee benefits in the accompanying statements of operations - unrestricted funds.

NOTE 11 - OPERATING LOSSES

The Hospital has incurred operating losses for each of the past six reporting periods which total approximately \$2,849,000 cumulatively. Additionally, assets limited as to use, consisting mostly of certificates of deposit, have been depleted from approximately \$1,778,000 to \$185,272 at May 31, 2001. These assets have been used as a primary source of cash flows for covering the continuing operating losses.

In order to continue to serve the residents of East Carroll Parish, Management must make significant improvements in collections of accounts receivable, operating efficiencies and consider all other potential strategic changes to curtail future operating losses, achieve profitability and restore cash reserves to their previous levels. Otherwise, an increase in the amount of subsidy from the Parish or bank loans will become necessary to sustain operations.

SUPPLEMENTARY DATA

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

Independent Auditors' Report on Supplementary Data

The audited financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital as of and for the years ended May 31, 2001 and 2000, and our report thereon dated September 18, 2001, are presented in the preceding section of this report. Our audits were made for the purpose of forming our opinion on the financial statements taken as a whole.

Supplementary data Schedules 1 through 4 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Smith, Turner & Reeves

September 18, 2001

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
GROSS PATIENT SERVICE REVENUE BY DEPARTMENT
YEARS ENDED MAY 31, 2001 AND 2000**

| | <u>Year Ended May 31, 2001</u> | | |
|---------------------|--------------------------------|---------------------|---------------------|
| | <u>Inpatient</u> | <u>Outpatient</u> | <u>Total</u> |
| ROUTINE SERVICES: | | | |
| Hospital | \$ 358,269 | \$ - | \$ 358,269 |
| ANCILLARY SERVICES: | | | |
| Radiology | 48,405 | 158,043 | 206,448 |
| Laboratory | 175,440 | 328,285 | 503,725 |
| Respiratory therapy | 144,913 | 23,087 | 168,000 |
| Electrocardiology | 18,563 | 27,235 | 45,798 |
| Central supply | 240,974 | 200,008 | 440,982 |
| Pharmacy | 247,571 | 160,716 | 408,287 |
| Emergency Room | - | 652,045 | 652,045 |
| Ambulance | - | 1,301,938 | 1,301,938 |
| Clinic | - | 808,021 | 808,021 |
| | <u>875,866</u> | <u>3,659,378</u> | <u>4,535,244</u> |
| | <u>\$ 1,234,135</u> | <u>\$ 3,659,378</u> | <u>\$ 4,893,513</u> |
| Percentage of total | <u>25%</u> | <u>75%</u> | <u>100%</u> |

Schedule 1

| <u>Year Ended May 31, 2000</u> | | |
|--------------------------------|---------------------|---------------------|
| <u>Inpatient</u> | <u>Outpatient</u> | <u>Total</u> |
| \$ 331,055 | \$ - | \$ 331,055 |
| 42,562 | 182,423 | 224,985 |
| 112,647 | 270,671 | 383,318 |
| 122,022 | 33,000 | 155,022 |
| 9,324 | 32,542 | 41,866 |
| 277,307 | 204,529 | 481,836 |
| 249,415 | 156,737 | 406,152 |
| - | 492,675 | 492,675 |
| - | 1,216,790 | 1,216,790 |
| - | 985,197 | 985,197 |
| <u>813,277</u> | <u>3,574,564</u> | <u>4,387,841</u> |
| <u>\$ 1,144,332</u> | <u>\$ 3,574,564</u> | <u>\$ 4,718,896</u> |
| <u>24%</u> | <u>76%</u> | <u>100%</u> |

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
DEPARTMENTAL EXPENSES
YEARS ENDED MAY 31, 2001 AND 2000**

| | <u>Year Ended May 31, 2001</u> | | |
|---|-----------------------------------|--|---------------------|
| | <u>Salaries and Wages</u> | <u>Supplies and Other Expenses</u> | <u>Total</u> |
| ROUTINE SERVICES: | | | |
| Hospital | \$ 518,881 | \$ 6,579 | \$ 525,460 |
| ANCILLARY SERVICES: | | | |
| Radiology | 90,890 | 44,210 | 135,100 |
| Laboratory | 137,057 | 216,648 | 353,705 |
| Respiratory therapy | - | 10,253 | 10,253 |
| Electrocardiology | - | 4,954 | 4,954 |
| Central supply | - | 61,155 | 61,155 |
| Pharmacy | 25,864 | 88,512 | 114,376 |
| Emergency Room | - | 734,486 | 734,486 |
| Ambulance | 391,586 | 64,621 | 456,207 |
| Clinic | 476,238 | 182,251 | 658,489 |
| | <u>1,121,635</u> | <u>1,407,090</u> | <u>2,528,725</u> |
| OTHER DEPARTMENTS: | | | |
| General and administrative | 160,584 | 206,497 | 367,081 |
| Dietary | 40,814 | 34,667 | 75,481 |
| Environmental services and plant operations | 61,680 | 100,142 | 161,822 |
| Medical records | 26,266 | 1,683 | 27,949 |
| | <u>289,344</u> | <u>342,989</u> | <u>632,333</u> |
| | <u>\$ 1,929,860</u> | <u>\$ 1,756,658</u> | <u>\$ 3,686,518</u> |

Schedule 2

| <u>Year Ended May 31, 2000</u> | | |
|-----------------------------------|--|---------------------|
| <u>Salaries and Wages</u> | <u>Supplies and Other Expenses</u> | <u>Total</u> |
| \$ 535,249 | \$ 36,875 | \$ 572,124 |
| 77,354 | 46,254 | 123,608 |
| 137,955 | 176,548 | 314,503 |
| - | 9,520 | 9,520 |
| - | 14,719 | 14,719 |
| - | 43,473 | 43,473 |
| 24,958 | 95,860 | 120,818 |
| - | 721,142 | 721,142 |
| 413,179 | 56,270 | 469,449 |
| 726,332 | 184,595 | 910,927 |
| <u>1,379,778</u> | <u>1,348,381</u> | <u>2,728,159</u> |
| 163,620 | 252,559 | 416,179 |
| 47,878 | 39,226 | 87,104 |
| 74,205 | 96,493 | 170,698 |
| 33,211 | 945 | 34,156 |
| <u>318,914</u> | <u>389,223</u> | <u>708,137</u> |
| <u>\$ 2,233,941</u> | <u>\$ 1,774,479</u> | <u>\$ 4,008,420</u> |

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
DEPARTMENTAL REVENUE AND EXPENSES
YEARS ENDED MAY 31, 2001 AND 2000**

| | <u>Year Ended May 31, 2001</u> | | | |
|---------------------|--------------------------------|----------------|---------------------|----------------|
| | <u>Gross Revenue</u> | | <u>Expenses</u> | |
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| ROUTINE SERVICES: | | | | |
| Hospital | \$ 358,269 | 7.3 | \$ 525,460 | 10.4 |
| ANCILLARY SERVICES: | | | | |
| Radiology | 206,448 | 4.2 | 135,100 | 2.7 |
| Laboratory | 503,725 | 10.3 | 353,705 | 7.0 |
| Respiratory therapy | 168,000 | 3.4 | 10,253 | 0.2 |
| Electrocardiology | 45,798 | 1.0 | 4,954 | 0.1 |
| Central supply | 440,982 | 9.0 | 61,155 | 1.2 |
| Pharmacy | 408,287 | 8.4 | 114,376 | 2.3 |
| Emergency Room | 652,045 | 13.3 | 734,486 | 14.6 |
| Ambulance | 1,301,938 | 26.6 | 456,207 | 9.1 |
| Clinic | <u>808,021</u> | <u>16.5</u> | <u>658,489</u> | <u>13.0</u> |
| | 4,535,244 | 92.7 | 2,528,725 | 50.2 |
| OTHER DEPARTMENTS | - | - | 632,333 | 12.6 |
| EMPLOYEE BENEFITS | - | - | 303,024 | 6.0 |
| DEPRECIATION | - | - | 146,094 | 2.9 |
| BAD DEBTS | - | - | 896,069 | 17.8 |
| INTEREST | <u>-</u> | <u>-</u> | <u>2,351</u> | <u>0.1</u> |
| | <u>\$ 4,893,513</u> | <u>100.0</u> | <u>\$ 5,034,056</u> | <u>100.0</u> |

Schedule 3

| <u>Year Ended May 31, 2000</u> | | | |
|--------------------------------|----------------|---------------------|----------------|
| <u>Gross Revenue</u> | | <u>Expenses</u> | |
| <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| \$ 331,055 | 7.0 | \$ 572,124 | 10.8 |
| 224,985 | 4.8 | 123,608 | 2.3 |
| 383,318 | 8.1 | 314,503 | 6.0 |
| 155,022 | 3.3 | 9,520 | 0.2 |
| 41,866 | 0.9 | 14,719 | 0.3 |
| 481,836 | 10.2 | 43,473 | 0.8 |
| 406,152 | 8.6 | 120,818 | 2.3 |
| 492,675 | 10.4 | 721,142 | 13.6 |
| 1,216,790 | 25.8 | 469,449 | 8.9 |
| 985,197 | 20.9 | 910,927 | 17.2 |
| <u>4,387,841</u> | <u>93.0</u> | <u>2,728,159</u> | <u>51.6</u> |
| - | - | 708,137 | 13.4 |
| - | - | 386,005 | 7.3 |
| - | - | 143,881 | 2.7 |
| - | - | 745,643 | 14.1 |
| <u>-</u> | <u>-</u> | <u>3,449</u> | <u>0.1</u> |
| <u>\$ 4,718,896</u> | <u>100.0</u> | <u>\$ 5,287,398</u> | <u>100.0</u> |

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
SURETY BONDS
YEAR ENDED MAY 31, 2001**

| <u>Name</u> | <u>Position</u> | <u>Surety</u> |
|-------------------------------|-----------------|--------------------------------|
| Richard Howard | Board | Executive Risk Indemnity, Inc. |
| Daniel Terral | Board | Executive Risk Indemnity, Inc. |
| Donna Winters | Board | Executive Risk Indemnity, Inc. |
| Vera Porter | Board | Executive Risk Indemnity, Inc. |
| Don W. Bailey, M.D. | Board | Executive Risk Indemnity, Inc. |
| LaDonna Englerth | Administrator | Executive Risk Indemnity, Inc. |
| Public Employees Blanket Bond | All Employees | EMC Insurance Companies |

Executive Risk Indemnity, Inc. has a maximum limit of liability of \$1,000,000.

EMC Insurance Companies has a maximum limit of liability of \$100,000.

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

**Independent Auditors' Report on Compliance
and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

We have audited the financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) as of and for the year ended May 31, 2001, and have issued our report thereon dated September 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Finding No. 1 - Audit Not Timely Filed

The Hospital failed to complete its audit by the statutory due date of November 30, 2001, as required by Louisiana Revised Statute 24:513.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our

opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Hospital's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. During our audit, we noted that prior year findings titled "Separation of Duties (Clinic)" and "Held Checks" have been corrected. Reportable conditions are described below.

Other Matters

We noted the following conditions which require the attention of Management. These matters, which do not currently have a material effect on the financial statements, involve other internal control weaknesses or other matters. The findings and recommendations below are intended to improve or correct internal control structure weaknesses or other matters.

Finding No. 2 - Accounts Receivable

We noted the Hospital has significantly improved its bad debt write-off procedures which resulted in the elimination of many uncollectible accounts. Additionally, the Hospital has been using a third-party billing agency to prepare and mail statements and past due notices.

However, we feel it would be beneficial for the Board of Commissioners, or a subcommittee thereof, to review, at least quarterly, the listing of bad debts written off. Reviews such as this would allow the Board to better monitor bad debts and related collection efforts.

Finding No. 3 - Reconciliation of Accounts Payable

We noted that the business office is not preparing timely reconciliations of the accounts payable detail aging to the general ledger trial balance. Reconciliation of detail ledgers to the general ledger prior to month-end close-out will insure that the accounts payable aging includes all unpaid invoices, and that amounts presented in the financial statements provide an accurate representation of the liabilities of the Hospital.

* * * * *

This report is intended for the information of the Board of Commissioners, Management and the Office of the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Smith, Juma & Reeves

September 18, 2001

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
YEAR ENDED MAY 31, 2001**

| <u>Reference No.</u> | <u>Description of Finding</u> | <u>Corrective Action</u> | <u>Contact Person</u> | <u>Anticipated Completion Date</u> |
|--------------------------|--|--|-----------------------|--|
| 1 | Audit Not Timely Filed | East Carroll Parish Hospital did not meet the six month deadline in completing the audit due to a problem in receiving information needed to complete our annual Medicare and Medicaid cost reports. This was due to no fault of the Hospital and is not anticipated to reoccur. | LaDonna Englerth | January 2002 |
| 2 | Accounts Receivable | Procedures for review of bad debts by the Board of Commissioners to be implemented. | LaDonna Englerth | October 2001 |
| 3 | Reconciliation of Accounts Payable | The accounts payable detail aging will be reconciled to the general ledger prior to closing out and preparing monthly financial statements. | LaDonna Englerth | August 2001 |